OECD-Southeast Asia Corporate Governance Initiative

Issues Paper

12-13 May 2015

Hanoi, Viet Nam

With the support of the Government of Japan

ỦY BAN CHỨNG KHOÁN NHÀ NƯỚC
STATE SECURITIES COMMISSION OF VIETNAM

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Issues Paper

Meeting of the OECD-Southeast Asia Corporate Governance Initiative with a focus on capital market development in Viet Nam

(Hanoi, Viet Nam, 12-13 May 2015)

A sound corporate governance framework plays an important role in creating a favourable investment climate and functioning capital market. The degree to which companies observe internationally recognised principles of corporate governance is a determinant of investment decisions, the cost of capital, the confidence of investors, and the ability of companies to access funding from a larger pool of investors.

The OECD-Southeast Asia Corporate Governance Initiative aims to support capital market development through knowledge sharing towards establishing an effective corporate governance framework. The Initiative focuses on Myanmar, Cambodia, Lao PDR and Viet Nam, and provides a platform for these countries to benefit from international experience, especially that of other Association of Southeast Asian Nations (ASEAN) economies. It supports the narrowing of development gaps between ASEAN member countries in view of an integrated ASEAN Economic Community, which aims to create an integrated capital market by 2015. Southeast Asia is a region of strategic priority for the OECD. Supporting domestic reform processes and regional integration is a common objective.

The *OECD Principles of Corporate Governance* and the *OECD Guidelines on Corporate Governance of State-owned Enterprises* provide policy makers and regulators with a sound benchmark for establishing an effective corporate governance framework. The *Principles* and the *Guidelines* are being revised to take into account recent developments in the corporate sector and capital markets, thereby helping to ensure their continued high quality and relevance. The review of both instruments will be completed before the end of 2015.

A near-term objective for Viet Nam is to prepare for deeper integration within ASEAN. This goal implies boosting competitiveness in all sectors through diversification, productivity and efficiency growth, supported by a sound and internationally benchmarked corporate governance framework. A number of initiatives, as elaborated in the following sections, are currently under way to improve corporate governance in Viet Nam, though still more progress is desirable.

This Issues Paper provides a snapshot of the corporate landscape in Viet Nam, including capital market development, the reform of state-owned enterprises and the legal and regulatory framework affecting corporate governance. It also identifies challenges the country is facing as it transitions to a mixed economy and raises questions for discussion.

Viet Nam – Macroeconomic overview

Viet Nam has achieved remarkable reform since the Economic Renovation Policy (*Đổi Mới)* in December 1986 marked the transition from a centrally planned to a mixed economy with greater reliance on markets and increased participation of private institutions. These reforms have contributed to impressive economic performance over recent years (see Table 1). Since 1990, average annual GDP growth has exceeded 7 percent and per capita income has increased three-fold.

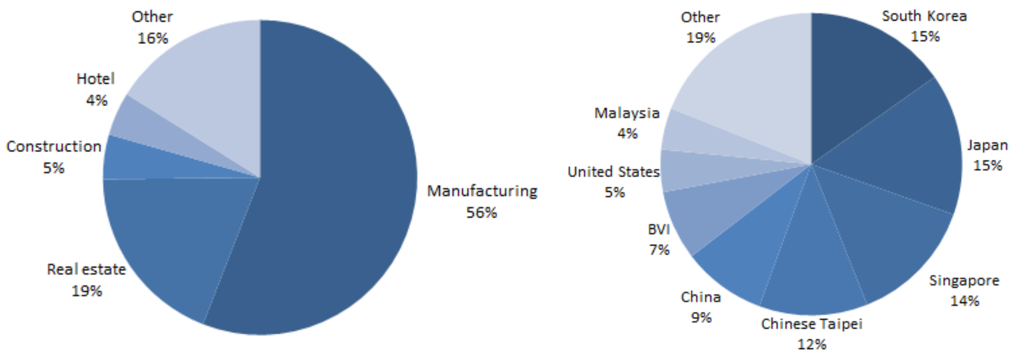
Table 1. Key Economic Indicators

	2010	2011	2012	2013	2014	2015/f
Real GDP (% change, y-y %)	6.4	6.2	5.3	5.4	5.4	5.5
Consumer price index (%, annual average)	9.2	18.6	9.1	6.6	4.5	5.0
Current account balance (% of GDP)	-3.8	0.2	6.0	5.6	4.1	3.3
Government fiscal balance (% GDP)	-2.8	-2.9	-4.8	-5.6	-6.6	-6.0

Source: World Bank, 2014

Most of the foreign direct investment (FDI) flowing into Viet Nam originates from Asian countries. Among the top ten foreign investors, seven are from Asia (See Figure 1). As of November 2014, South Korea was the largest foreign investor with total committed capital of USD 36.7 billion, followed by Japan, Singapore and Chinese Taipei. In recent years, there has been a visible shift in the composition of FDI towards manufacturing, retail and technology.

Figure 1. FDI Stock by Source and Sector



Source: Ministry of Planning and Investment, 2014

Recently, the Vietnamese economy has shown signs of corporate and financial distress. A number of large state-owned enterprises (SOEs) have defaulted on their obligations and several others appear to be overleveraged. The banking system has accumulated a significant amount of non-performing loans, and many small banks have experienced serious liquidity and solvency problems in the same period. (WB, FSAP, 2014)

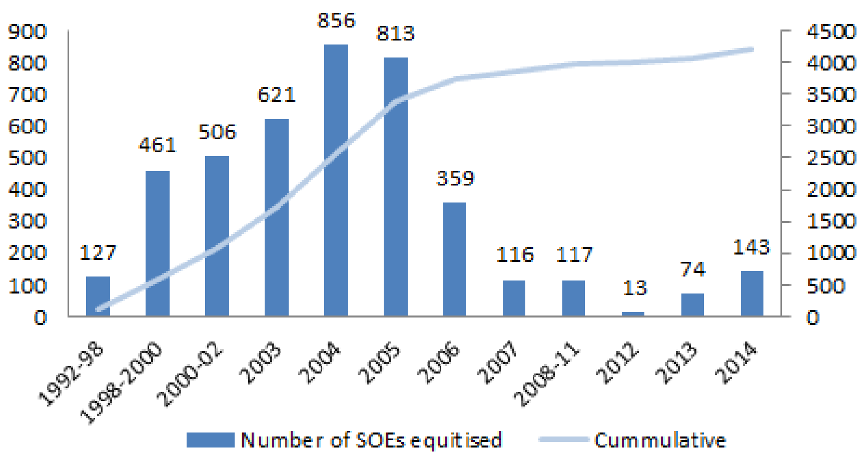
Considering these challenges, the Vietnamese government announced a comprehensive reform programme, as detailed in the Socio-Economic Development Plan (2011–2015). The plan prioritises three components: banking restructuring, SOE restructuring, and public investment reform. Since 2011, the government has made efforts to elaborate further the design of these three programmes.

SOEs – state of play

The SOE sector in Viet Nam has undergone a long development process and remains a significant pillar of the economy. Annually, the SOE sector accounts for more than one-third of GDP, about 50% of exports, and over a quarter of total domestic government revenue. SOEs control key industries of the economy, including electricity, petroleum and gas, mining and quarrying, and the water supply. Approximately 54% of SOEs are managed by local governments, 27% by line ministries and 19% by state economic groups.

Beginning in the 1990s, the Vietnamese government launched a significant restructuring of the SOE sector. Between 1991 and 2014, the number of wholly state-owned enterprises was reduced from 12 000 to less than 950, largely through mergers, closures and sell-offs. The restructuring process notably involved a broadening of ownership through equitisation (i.e. the conversion of SOEs into joint stock companies) and stock market listing. After significant progress in the late 1990s and early 2000s, the pace of equitisation slowed between 2005 and 2012 (see Figure 2).

Figure 2. Progress of equitisation, 1992-2014



Source: MoF, NSCERD and CIEM, 2014

Although many SOEs have been equitised over the past two decades, the ownership structure of SOEs has remained firmly under state control. An estimated 30% of state ownership in SOEs has been equitised, and the government has retained an average ownership stake of 57% in the equitised firms. Thus, in the 20 years since the equitisation process began, less than 15% of state ownership has been transferred from the government to employees or other shareholders. (OECD, Southeast Asian Economic Outlook, 2013)

The current government under Prime Minister Nguyen Tan Dung has made clear its intention of revitalising the restructuring of SOEs. The General Project on Overall Restructuring of the Economy, approved in 2013, made SOE restructuring a priority and the Prime Minister announced his objective of equitising around 432 SOEs in 2014-2015. According to this plan, only enterprises that are considered to be of strategic importance (e.g. energy, national security) will retain 100% state ownership.

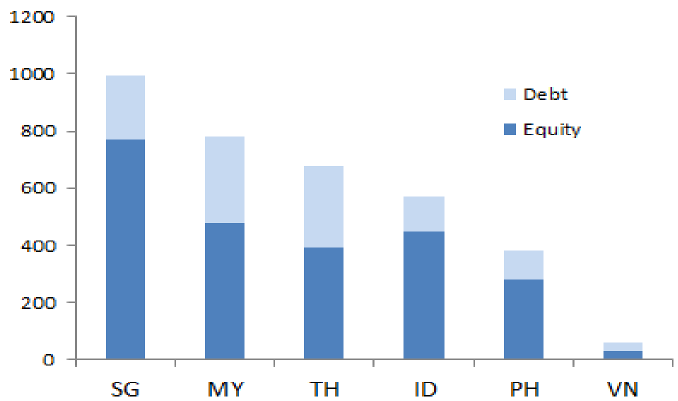
Capital market development

Viet Nam has two stock exchanges, the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX), which opened trading in 2000 and 2005 respectively. Nearly 700 companies are listed on the two exchanges. As of March 2015, HOSE had 307 listed companies, with a market capitalisation of USD 47.170 billion, and average daily turnover of USD 91.589 million. Meanwhile, HNX had 368 listed companies, with a market capitalisation of USD 6.522 billion, and average daily turnover of USD 28.410 million. The State Securities Commission (SSC), which operates under the Ministry of Finance (MoF), is the principal regulator of capital markets in Viet Nam.

The Ho Chi Minh Stock Exchange is Viet Nam's principal equity market whereas the Hanoi Stock Exchange primarily supports the fixed-income market. Companies on the Ho Chi Minh Stock Exchange tend to be larger and have more foreign ownership, as it has higher capital requirements and requires companies to have at least 2 years of profits before listing. The Hanoi Stock Exchange also hosts the unlisted public company market (UpCom platform). As of March 2015, the stocks and convertible bonds of 178 unlisted public companies were being traded and the registered value of UpCom was USD 1 188 million.

Vietnamese capital markets remain small relative to those of a number of neighbouring Asian countries (see Figure 3). One obstacle to capital market development has been that equitisation and listing are commonly conducted in two separate stages in Viet Nam. Thus, many equitised SOEs, reluctant to commit to enhanced disclosure, have not listed their shares. A new directive signed by the Prime Minister in September 2014 is expected to address this issue as it requires SOEs that are equitised in the form of public companies to start trading shares on the UpCom platform within 90 days and to list shares on a stock exchange within one year from receiving their new business registration certificate. (Reuters, Sept 2014)

Figure 3. ASEAN countries' market capitalisation, USD billions



Source: CIMB ASEAN Research Institute, 2013

In 2014, the State Securities Commission announced that it is planned to merge the Hanoi and Ho Chi Minh Stock Exchanges with the aim of attracting increased foreign investment. The new exchange, the Viet Nam Stock Exchange, will operate as a fully state-owned company with limited liability until 2020. The merger plan has been submitted to the Prime Minister.

Legal and regulatory framework for corporate governance

The legal and regulatory framework for corporate governance in Viet Nam has developed significantly in recent years to accompany the growth of capital markets. In 2005, in preparation for accession to the World Trade Organisation (WTO), the Vietnamese National Assembly passed the Law on Enterprises (LoE) and Law on Investment (LoI), and later the Law on Securities (LoS) in 2010. In 2012, the Ministry of Finance issued a revised Corporate Governance Code for public and listed companies. In 2014, the LoE and LoI were both revised and a new Law on Management of State Capital Invested in Enterprises was enacted.

The new Law on Enterprises, which governs both public and private companies, will come into effect on 1 July 2015. Changes include: (i) a reduction in the number of enterprises that are subject to the separate set of regulations governing SOEs to only wholly state-owned enterprises, (ii) the introduction of an option for companies to choose between a one-tier and two-tier board model, (iii) a requirement for joint-stock companies with a corporate structure of general shareholders meeting, Board of Directors and General Director to have at least 20% of the Board of Directors as independent directors, and (iv) a specification that shareholders can take legal action against the CEO or directors of a company. The new Law on Investment, which also comes into effect on 1 July 2015, simplifies ownership and licensing requirements for foreign investors. Currently, foreign investors can hold up to 49% of the shares in a public or listed company.

This revised legal framework has been supported with a large number of decrees, circulars and decisions. Key measures have included Decree 71 on the management of state capital invested in enterprises, Decree 61 on the disclosure of SOE information, Decree 50 on the remuneration of SOE managers and Decree 59 on equitisation. Additionally, Circular 52 provides regulations on information disclosure of public companies and Circular 121 strengthens the corporate governance of public companies. Meanwhile, Decision 37 provides guidelines on categorising SOEs and facilitating the divesting, selling and listing of shares. (WB, Taking Stock, 2014)

While the overall framework has been strengthened, a number of challenges remain. First, the frequent change of laws and the proliferation of regulations and decrees has contributed to challenges in compliance and limited awareness by market participants. The framework has also developed significant points of inconsistency, with sometimes confusing distinctions between listed companies, banks, insurance companies, and companies with foreign ownership.

One case in point is the status of state economic groups (SEGs), which are legally ambiguous groups of SOEs. Decree 39 states that a 'state economic group' is a group of many enterprises regardless of scale, while Decree 102 defines it as a group of only large enterprises having an independent legal personality. Meanwhile, according to Vietnamese Accounting Standard 25, a state economic group includes a holding company and its subsidiaries. The legal ambiguity surrounding SEGs has made it difficult to build a supervision mechanism and has hampered the SOE reform process.

Another challenge is that there is still no single national authority responsible for implementing the LoE and there is no single national company registrar. The oversight of the LoE and business registration is decentralised and left to city and provincial Departments of Planning and Investment (DPI), with the Ministry of Planning and Investment (MPI) acting as a co-ordinator for and advisor to the local DPIs. (WB ROSC, 2013)

Session 1: ASEAN – developments and challenges

ASEAN member countries have affirmed their commitment to create the ASEAN Economic Community (AEC) in 2015. The AEC Blueprint aims to transform ASEAN into a region with free movement of goods, services, investment, and skilled labour, and with freer flow of capital. One instrument supporting capital market integration is the ASEAN Corporate Governance Scorecard, which is provided by the Asian Development Bank to assess the corporate governance performance of publicly listed companies in six countries using a methodology benchmarked against the *OECD Principles of Corporate Governance*.

According to an estimate by the International Monetary Fund (IMF), ASEAN countries will grow on average at 5.5% per year between 2011 and 2015, raising average per capita income of the region to USD 10 603 by the end of 2015. Yet despite this high growth and increasing trade openness, ASEAN member states do not trade among themselves as much as they do with other parts of the world. According to a study by the CIMB ASEAN Research Institute, increasing trade openness would substantially increase the volume of the region's – and particularly Viet Nam's – exports (see Appendix I).

ASEAN countries have made great strides towards developing capital markets and strengthening financial integration. Yet compared with their counterparts in mature economies, ASEAN financial institutions mostly have insufficient assets to compete effectively in international financial markets. Small and illiquid, the financial markets in ASEAN remain vulnerable to shocks from outside the region. Stringent regulation of some cross-border financial transactions has also served as an impediment to ASEAN-wide financial integration.

Discussion topics:

- What are the significant remaining barriers to regulatory harmonisation among ASEAN member countries that must be addressed?
- What are some of the ways that ASEAN can lessen the development gap among member countries?
- Beyond market integration, what is next for the ASEAN Community?

Session 2: General framework for reform of SOEs in Viet Nam

The restructuring process of SOEs in Viet Nam is led by the Prime Minister's office. The National Steering Committee for Enterprise Reform and Development (NSCERD), established in 2008, is headed by the Deputy Prime Minister, while the Ministry of Finance (MoF), Ministry of Planning and Investment (MPI) and line ministries serve as advisors. The SOE reform process has notably focused on three objectives: organisational, financial and governance restructuring.

The pace of the restructuring process has picked up recently with clear determination from the government. However, SOE reform continues to be hampered by difficult market conditions and the complexity inherent in the restructuring process. Unclear signals from the state regarding optimal capital structures and dividend policies appear to have been providing profitable SOEs with incentives to expand into unrelated business areas. Observers have also highlighted the cumbersome regulatory framework and limited financial and operational analysis underlying the planned divestures.

According to a recent World Bank *Taking Stock* report, the SOE restructuring process has room for improvement in some key areas. First, there has been a persistent difference between planned targets and actual achievements, which raises questions about the feasibility of the targets. The current top-down approach also appears to take little account of the specificity of individual SOEs, which is particularly relevant in cases in which SOEs have high levels of debt or complex cross-ownership structures. Second, co-ordination mechanisms remain weak, both in policy formulation and implementation, leading to fragmentation of the reform programme across line ministries, agencies and provinces.

Discussion topics:

- What are the strengths and weaknesses of the current programme for the reform of state-owned enterprises in Viet Nam?
- Is the equitisation of SOEs being implemented at a favourable pace? Are the objectives of SOE reform well understood? How can inter-ministerial co-ordination of the SOE reform programme be improved?
- What approaches can be implemented to improve the outcomes of the initial public offerings of SOEs?

Session 3: Corporate governance of SOEs

The corporate governance of SOEs in Viet Nam remains weak. Easy access to finance and favourable government conditions put a number of SOEs under limited pressure to raise their competitiveness. Common challenges include increasing transparency, improving board professionalism and the state's ownership practices, which are often exercised in an opaque manner, including through state economic groups (SEGs). Additionally, a number of ministries, such as the Ministry of Planning and Investment and the Ministry of Internal Affairs, carry out functions in SOEs that involve both the exercise of ownership rights and regulation. These practices have arguably resulted in limited accountability and significant cases of poor performance.

A number of regulatory developments have emerged aimed at improving the corporate governance performance of SOEs. New guidelines on the corporate governance of SOEs are being drafted and regulatory efforts have included Decree 61 on the SOE disclosure of information and Decree 50 on SOE managers' remuneration. Additionally, the State Securities Commission is currently in the process of setting up an Institute of Directors and the Hanoi Stock Exchange is aiming to raise awareness by establishing a Corporate Governance Index and launching a CG Week, as has been done in Malaysia.

One of the institutions that has been central in the effort to improve corporate governance is the State Capital Investment Corporation (SCIC). The SCIC – a holding company established under the Ministry of Finance in 2005 – purchases shares in SOEs that have been targeted for equitisation, thus acting as a professional owner. With over USD 800 million in capital, the SCIC had at one point stakes in about 900 SOEs though the number has been reduced substantially thorugh a divestment strategy. The International Finance Corporation (IFC) is currently working with the SCIC to raise awareness of corporate governance in firms and provide training to nominee directors of portfolio companies.

Discussion topics:

- Have recent regulatory developments been effective in improving the governance of SOEs?
- What good practices from other ASEAN countries can Viet Nam adopt to improve the ownership practices and corporate governance of SOEs? What steps can be taken to simplify and strengthen the oversight of SOEs?
- Does the SCIC effectively improve the governance of firms through its role as a professional owner?

Session 4: Shareholder engagement

Shareholders in Viet Nam continue to face difficulties in engaging in company affairs. Common challenges include poor information disclosure and difficulties in exercising shareholder rights. These challenges are compounded by the fact that the majority of investors in Viet Nam are retail investors with short-term interests. As of April 2015, according to the Vietnam Depository Center, 99.55% of trading accounts in Viet Nam are held by retail investors and 98.84% are held by domestic investors. The portfolios of foreign investors account for approximately 25% of market capitalisation.

Participation of shareholders in the general meetings of shareholders (GMS) remains challenging. Constraints include a short notice period and inadequate information provided before the meeting. Meeting minutes are not often sent out after the meeting and information in English is scarce. The new Law on Enterprises has addressed some of these issues. For example, under the new LoE, the number of notice days required to be given to shareholders before GMS has increased from 7 to 10 days, though this falls short of the 21 days seen in many OECD countries. (ADB, ASEAN CG Scorecard, 2014)

To improve shareholder engagement, proxy voting at GMS has already been established and e-voting has been introduced through the new LoE. The Hanoi Stock Exchange, the Vietnam Securities Depository, and several service providing companies, have developed systems to facilitate e-voting, and the application of e-voting systems now depends on individual companies. To facilitate the engagement of foreign shareholders, the government has announced its intention of aligning with International Financial Reporting Standards (IFRS) by 2020, though much progress remains to be made towards this goal.

Discussion topics:

- What are the most substantive shareholder engagement issues that remain to be addressed by regulation? In practice, what are the steepest challenges to shareholder engagement?
- How can Viet Nam attract a more diverse investor base, including more active shareholders?
- What roles can be allocated to institutional investors and investor watchdog groups in improving shareholder engagement?

Session 5: Enforcement of corporate governance

Enforcement of corporate governance remains an important challenge. A key difficulty is the lack of clarity over supervision and accountability. Typically the State Securities Commission (SSC) plays the lead role in enforcement for non-bank public companies, the State Bank of Viet Nam for banks and certain financial institutions, and the Ministry of Finance for insurance companies. However, there are substantial areas of overlap, and no Memorandum of Understanding between these three institutions has set the framework for formal co-operation.

Regarding listed companies, the SSC has a number of enforcement powers, including the ability to fine and the suspension or removal of licenses. It may also issue directives to comply with relevant securities law and regulations. However, the SSC may not initiate civil actions in court and may not collect damages on behalf of shareholders. More generally, cumbersome judicial procedures render it difficult for shareholders to enforce corporate governance through the courts. As of 2013, the SSC has 350 staff, including 37 in securities issuance, 30 in the inspectorate, and 30 in surveillance. The SSC is reforming its listing department and has delegated some “front-line” regulator activities to the two stock exchanges.

Enforcement of the Law on Enterprises (LoE) is conducted on a local level and in a decentralised manner. There is no national company registrar, and the 63 Departments of Planning and Investment (DPIs) are responsible for registering companies and enforcing related provisions in the LoE. The DPIs in Hanoi, Ho Chi Minh City, and some other cities have begun to allow online access to certain information. However, even in these cities, staff are often over-burdened and corporate information remains difficult to access. The role of the DPIs in enforcing the LoE tends to be limited, and focuses on compliance with basic registration requirements.

Discussion topics:

- How can co-ordination between enforcement actors be improved? What lessons can be learned from other jurisdictions?
- Does the SSC have the adequate powers and resources to ensure enforcement of corporate governance legislation? What additional enforcement tools might be important for the SSC to acquire or use to better ensure compliance?
- Should the institutional setting be reconsidered to provide for greater centralisation of company registration and law enforcement?

Session 6: Country Focus – Cambodia and Lao PDR

Cambodia and Lao PDR have experienced sustained economic growth over the past decade, despite a challenging global environment. Between 2005 and 2014, GDP growth averaged 7.6% in Cambodia and 7.9% in Lao PDR, driven by sustained agricultural growth, resilient exports and a strong tourism sector. Foreign direct investment has also increased considerably, particularly from China and neighbouring ASEAN countries. State-owned enterprises (SOEs) play an important role in the economies of both countries in sectors such as banking, transport and energy. Key challenges include boosting the efficiency of SOEs and more effectively fighting corruption.

In Lao PDR, there are reportedly 136 state-owned enterprises, with approximately USD 2.4 billion in assets. The government appears to be considering methods to increase private ownership in a number of SOEs through listing on the Lao Securities Exchange (LSX), which was set up with support from the Stock Exchange of Thailand (SET) and the Korean Stock Exchange (KRX). Currently, four companies are listed on LSX – Banque Pour Le Commerce Exterior Lao, Electricité du Laos Generation Public Company, Lao World Public Company and Petroleum Trading Lao.

Cambodia has four main state-owned enterprises. These include Electricité du Cambodge, Phnom Penh Water Supply Authority, Rural Development Bank, and Green Trade Company. Each state-owned enterprise is under the supervision of a line ministry or government institution and is overseen by a board of directors drawn from among senior government officials. The Cambodia Securities Exchange (CSX), launched in 2011, has two listed companies, the Phnom Penh Water Supply Authority and Grand Twins International, a Taiwanese garment maker.

Discussion topics:

- How can policymakers in Cambodia and Lao PDR learn from the past experiences of other ASEAN member countries in developing their capital markets?
- What are the primary challenges to establishing a sound framework for corporate governance in Cambodia and Lao PDR?
- What have been some effective measures to improve corporate governance of SOEs?

Session 7: ASEAN as an asset class – an investor's perspective

Though still small compared to international standards, ASEAN capital markets have seen remarkable development over recent years. The recent economic slowdowns in Europe and the United States only highlighted the increasing importance of Southeast Asian markets in providing alternatives to investors seeking diversification. To remain sustainable Southeast Asian capital markets must become more harmonised, transparent, flexible and liquid, ensuring cross-border flexibility to stimulate investor interest and commitment.

A number of initiatives have been launched to attract investors and support the consolidation of ASEAN capital markets. Guided by the ASEAN Economic Community Blueprint, ASEAN Exchanges – a collaboration of seven exchanges in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam – was launched in 2011. As of March 2015, the seven exchanges combined represent over 3 700 listed companies and a market capitalisation of over USD 2.4 trillion. (WFE, 2015)

ASEAN Exchanges promotes the ASEAN brand by providing streamlined access to capital markets, tailored investment products and targeted promotional activities. The ASEAN Trading Link, launched in 2012, is a single platform that facilitates the trading of equities across the exchanges of Singapore, Malaysia and Thailand. ASEAN Stars is a selection of the top 180 stocks in ASEAN, 30 from each country, that are promoted on the ASEAN Exchanges website. The FTSE ASEAN Index Series is a set of stock market indices that track ASEAN companies according to investor preferences, such as sector or market cap.

Discussion topics:

- What have been the most successful ASEAN Exchanges initiatives in promoting ASEAN as an asset class? What other initiatives can be launched by ASEAN Exchanges or others to promote the ASEAN brand?
- How can countries better mobilise domestic savings for productive investment and attract quality investment from abroad? How can the investment profile of ASEAN economies be improved? How can confidence in the region's capital markets be boosted?

Appendix I. Snapshot of ASEAN

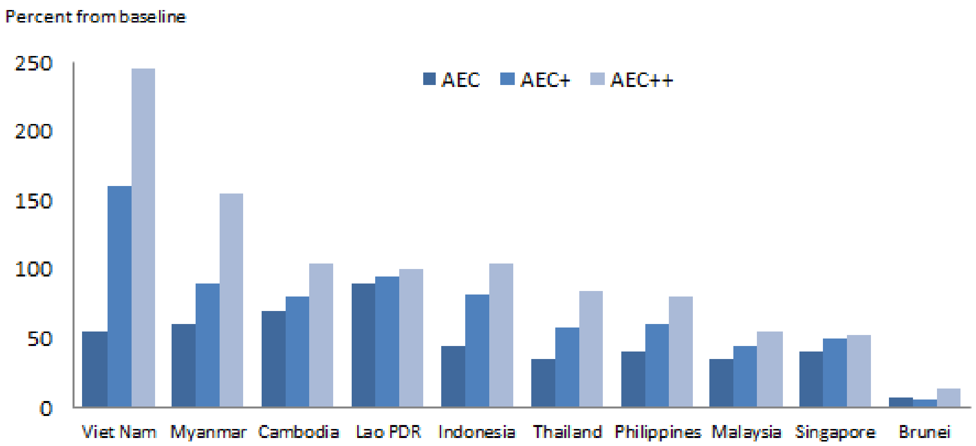
The implementation of the ASEAN Economic Community (AEC) will encompass the free movement of goods, services, investment, and skilled labour, and the freer flow of capital. Apart from the European Union, AEC is the most ambitious initiative of regional integration worldwide, and encompasses both lowering barriers to trade and investment as well as harmonisation of regulations and policies. A detailed implementation plan, the ASEAN Economic Community Blueprint, was signed in 2007.

According to the findings from the *2013 ASEAN-Business Advisory Council Survey on ASEAN Competitiveness*, businesses continue to view the ASEAN investment climate positively. More than half of the businesses that have internationalised (engaged in export or outward foreign direct investment activities), or planned to do so within the next three years (2013-2015), indicated an ASEAN country as the most attractive country in the world for their FDI. This confidence reflects investors' sustained interest in ASEAN markets. ASEAN's attractiveness also continued to be rated higher than China's both as a market for goods and services and as a production location. A study by the CIMB ASEAN Research Institute analysed the impact of AEC on ASEAN countries under different scenarios. The scenarios include:

- **AEC** (Implementation of the AEC; Reforms that improve the investment climate)
- **AEC+** (Bilateral FTAs between the AEC and the +6, i.e. Australia, New Zealand, India, Japan, China and South Korea)
- **AEC ++** (Bilateral FTAs between the AEC, US and the EU)

Under all three scenarios, Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) stood to experience the largest increase in exports (see Figure 4).

Figure 4. Change in exports under AEC, AEC+ and AEC++



Source: CIMB ASEAN Research Institute, 2013

Supporting capital market integration, the ASEAN Capital Markets Forum (ACMF) is a twice-yearly gathering of capital market regulators from the ten ASEAN countries. ACMF was established in 2004 under the auspices of the ASEAN Finance Ministers. Recent key achievements of ACMF include the ASEAN capital market disclosure standards for cross-border offerings of securities ("ASEAN and Plus Standards Scheme") and the ASEAN capital market integration plan ("Implementation Plan") which was endorsed at the 13th ASEAN Finance Ministers Meeting in April 2009 in Pattaya, Thailand.

Appendix II. Snapshot of capital markets in Cambodia, Lao PDR, Myanmar and Viet Nam

The **Lao Securities Exchange (LSX)** was launched in 2011 with help from both the Stock Exchange of Thailand (SET) and the Korea Exchange (KRX). KRX holds a 49% stake in the LSX operating company, while the Central Bank of Lao PDR holds 51%. There are currently four listed companies on LSX, Banque Pour Le Commerce Exterior Lao, Electricité du Laos Generation Public Company, Lao World Public Company and Petroleum Trading Lao. LSX plans to have 10 listed companies by 2016, and aims to encourage companies to list by educating them about the role that capital markets can play in their business.

Shares began trading on the **Cambodia Securities Exchange (CSX)** in 2012 with the listing of the state-owned Phnom Penh Water Supply Authority (PPWSA). Two other state-owned enterprises, Telecom Cambodia and Sihanukville Autonmous Port, had also planned on listing in 2012, though those plans were shelved. In June 2014, the second company to list on CSX became Grand Twins International, a Taiwanese garment maker. CSX signed a memorandum of understanding (MoU) with the Stock Exchange of Thailand (SET) in 2014 with the aim of promoting capital market development in both countries. The SET and CSX have agreed to co-operate on information sharing, training, and settlement facilities.

In Myanmar, a new Securities Exchange Law was enacted on 31 July 2013, providing for the establishment of a stock exchange and securities regulator. The target to launch a stock exchange in October 2015 is still on track. The authorities plan to allow only high-profile companies to list on the exchange in its early stages, in order to build market integrity and confidence. The Myanmar Securities and Exchange Commission will be the first securities regulator in Myanmar and intends to join the ASEAN Capital Markets Forum (ACMF) and the International Organization of Securities Commissions (IOSCO).

As of March 2015, there were nearly 700 companies listed on **Viet Nam's two stock exchanges; the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX)**. Many listed companies are equitised state-owned enterprises (SOE) that have improved their professionalism and commercial orientation, often with the assistance of a strategic foreign investor. In 2014, the State Securities Commission (SSC) announced its plans to merge the countries' two stock exchanges in 2015 to create the Viet Nam Stock Exchange with the aim of attracting foreign investors. The State Securities Commission, the State Bank of Viet Nam, HNX, and HOSE, have all increased their staff and other resources to keep pace with rapid market expansion.